As Oil Prices Slip, North Dakota Struggles to Get a Firm Grip on Its Budget

www.nytimes.com/2015/02/16/us/as-oil-prices-slip-north-dakota-struggles-to-get-a-grip-on-its-budget.html

By JULIE BOSMAN

Photo

A pump jack and oil storage tanks near Williston, N.D. The volatility in oil prices has set the stage for an unusually contentious legislative session in the state. Credit Eric Gay/Associated Press

BISMARCK, N.D. — Lawmakers in North Dakota have been suffering from dizzy spells lately, and there is only one thing to blame: the price of oil.

For months, it has been in free fall, dropping from $100 a barrel in June to below $50 a barrel by January, casting worry over this state, the No. 2 producer of oil in the country.

That volatility has set the stage for an unusually contentious legislative session, a change from previous years when North Dakota was enjoying the boom from richly productive oil fields in the western part of the state.

Last week, the House began to debate a measure known as the “surge bill,” which would provide more than $1 billion to counties primarily in the western part of the state. The money would go to infrastructure needs, construction projects and schools in the towns that have grown exponentially during the oil boom of the last decade.

The legislature will also consider a bill that would give oil-producing counties in the west a greater share of future oil revenues.

Supporters of the bill say that the money has already been put aside in a special fund and deserves to go to oil-producing counties, whose leaders say their jails are crammed, their road projects underfunded, their judges overwhelmed and their schools in need of expansion.

“We need the money,” said Senator Kelly Armstrong, a Republican and one of the bill’s sponsors, adding that he had yet to scale back the bill despite worries about the economy.

In interviews, lawmakers said they viewed the drop in oil prices as a correction rather than an impending bust. The state has played it safe for years, stashing surplus money in funds that could be used when revenues slowed down, said Al Carlson, the House majority leader.

“Structurally, we’re in pretty good shape,” he said. “We’re still going to collect over $4 billion in oil revenue from 2015 to 2017,” he said. “That’s a lot of money. It’s less than we collected last time, but it’s a lot of money.”

The great worry is that the slowdown might continue with no end in sight, Mr. Carlson said. “The concern that always comes is not these next two years,” he said. “It’s the two years after that.”

North Dakota was one of the few states to survive the recession with hardly a bruise. It has been lifted by oil revenues for years, but it also prides itself on its fiscal responsibility: Less than 5 percent of the state’s general fund, which is used to pay for the state’s day-to-day operations, comes directly from oil revenues. Its unemployment rate is currently 2.8 percent, the lowest in the nation.

But there are signs that some of the workers who have flocked to North Dakota, lured by steady jobs and the promise of overtime, are already fleeing the state. From 2010 to 2014, North Dakota’s population rose 10 percent to about 740,000, much of it because of the oil boom.

“What we hear is people saying, ‘I came to North Dakota to work because I could get 60 or 70 hours a week doing this great job,’ ” Gov. Jack Dalrymple, a Republican, said in an interview. “And now they’re disappointed because their employer has cut them back to 40 hours a week. We do hear some of them talking about moving back where they came from.”

Mr. Dalrymple said that oil companies have said they are not pulling out of North Dakota, but they have scaled back production. In late 2014, there were 193 oil rigs in production; now there are 140.

“There’s still plenty of denial out there, too,” he said. “Some people are still saying, ‘Oh, it’s just a little spike down, and it’s going to snap right back any day now, and we shouldn’t pay much attention to it.’ Then you have the opposite end of the spectrum, where people are saying, ‘It’s going to get bad and be bad.’ We’re just trying to find the truth in it.”